

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Admiral Insurance Company	:	CIVIL ACTION
	:	
	:	
v.	:	
	:	
Central Sprinkler Company,	:	
et al.	:	NO. 98-4563

M E M O R A N D U M

Padova, J.

February 3, 1999

Before the Court is a Motion to Stay or Dismiss Declaratory Judgment Actions filed by Defendant Central Sprinkler Corporation ("Central"). For the reasons set forth below, the Court will stay case nos. 98cv4563 and 98cv4634 and will dismiss case no. 98cv4730.

Plaintiff Admiral Insurance Company ("Admiral") filed three actions in this Court seeking declaratory judgments as to whether it has a duty to defend, settle, and/or indemnify Central for claims of product defect related to Central's Omega-series fire sprinklers. In case no. 98cv4563, Admiral seeks a declaration that it has no duty to defend or indemnify Central for claims raised in the following law suits: Smith, et al. v. Central Sprinkler Corp., et al., 98cv1500, United States District Court for the Eastern District of Pennsylvania; Sangiacomo, et al. v. Central Sprinkler Corp., et al., 98cv1782, United States District Court for the Eastern District of Pennsylvania; Chartwell

Lodging, Inc. v. Central Sprinkler Co., Court of Common Pleas of Montgomery County, Pennsylvania. In case no. 98cv4634, Admiral seeks a declaration that it has no duty to defend or indemnify Central for claims raised in the following law suits: Hart, et al. v. Central Sprinkler Corp., et al., BC176727, Superior Court of the State of California for the County of Los Angeles; and County of Santa Clara, et al. v. Central Sprinkler, et al., CV7710119, Superior Court of the State of California for the County of Santa Clara. In case no. 98cv4730, Admiral seeks a declaration that it has no duty to defend or indemnify Central for claims raised in South Royal v. Central Sprinkler Co., 98-0698, United States District Court for the Middle District of Florida.<sup>1</sup>

Therefore, the issue raised in Central's Motion that the Court must decide is whether case nos. 98-4563 and 98-4634 should be stayed or dismissed. Central argues that these cases are subject to stay or dismissal under the Declaratory Relief Act (the "Act"), 28 U.S.C.A. § 2201 (West 1994). The Court agrees. Although under the Act, the Court may exercise its jurisdiction to hear a declaratory judgment action, it is under no compulsion

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<sup>1</sup>The South Royal case was dismissed without prejudice pursuant to the plaintiff's notice of voluntary dismissal. (Central Exs. in Supp. of Mot. Ex. 10, Final Order of Dismissal in South Royal.) The parties agree that because the underlying South Royal case was dismissed, Admiral's declaratory judgment action, case no. 98cv4730, is subject to dismissal as well. (Tr. 1/26/99 Hrg. at 21-22.) Therefore, the Court will dismiss case no. 98cv4730.

to do so. Brillhart v. Excess Ins. Co. of America, 316 U.S. 491, 494, 62 S. Ct. 1173, 1175 (1942); Wilton v. Seven Falls Co., 515 U.S. 277, 282, 115 S. Ct. 2137, 2140 (1995). A decision not to exercise jurisdiction is warranted when there exists another proceeding pending in state court presenting the same issues, not governed by federal law, between the same parties. Brillhart, 316 U.S. at 495, 62 S. Ct. at 1176. Under such circumstances, the Supreme Court has advised that "[g]ratuitous interference with the orderly and comprehensive disposition of a state court litigation should be avoided." Id.

Here, there is a pending state court action involving Central and Admiral that was filed prior to the filing by Admiral of the actions in this Court. Central Sprinkler Corp. v. Admiral Insurance Company, et al., BC196214, Superior Court of the State of California for the County of Los Angeles, filed on August 19, 1998 (the "California action"). In the California action, Central seeks a declaration that it is entitled to coverage from its various carriers, including Admiral, for defense, settlement, and indemnification of the Smith, Sangiacomo, Chartwell Lodging, Hart, and Santa Clara law suits. The parties agree that all of the claims and issues in Admiral's declaratory judgment actions are present in the California action. (Tr. 1/26/99 Hrg. at 22-23.) Therefore, the California action presents the same coverage issues, not governed by federal law, that are raised in Admiral's

declaratory judgment actions. Brillhart, 316 U.S. at 495, 62 S. Ct. at 1176.

The Court finds that the coverage dispute between Admiral and Central can be better settled in the pending California action. Id. Central brought the action in California as a comprehensive insurance recovery action against all of its product liability carriers. Discovery has already commenced in the California action, including the production of documents and the service of interrogatories, requests for admission, and deposition notices. (Id. at 6, 14; Central Mot. at 7.) In addition, Hart, the lead product liability action involving Central's Omega-series sprinklers, is pending in California. A settlement with the plaintiffs in Hart was reached and preliminarily approved by the California Superior Court. (Central's Exs. Ex. 9, Hart settlement agreement; Central's Mot. at 4.) Finally, Admiral moved to dismiss the California action on forum non conveniens grounds, which the California Superior Court denied. (Tr. 1/26/99 Hrg. at 6-7.) Therefore, there has already been a judicial determination that California is a convenient forum in which to resolve the dispute between Central and Admiral. Terra Nova Ins. Co. Ltd. v. 900 Bar, Inc., 887 F.2d 1213, 1224 (3d Cir. 1989).

Under these circumstances, the most equitable result is for the Court to decline to exercise its remedial discretion provided

under the Act. Id. at 1223. Because the Court has determined not to exercise its discretion under the Act, it is not necessary for the Court to reach Admiral's argument that abstention is improper under Colorado River Water Conservation Dist. v. United States, 424 U.S. 800, 96 S Ct. 1236 (1976). Id. at 1224 n.12 (district court should first analyze whether to exercise its discretion under the Act before considering the Colorado River doctrine).

In conclusion, the Court has applied the Brillhart and Terra Nova factors to the facts of this case and has decided not to entertain Admiral's declaratory relief actions. The Court believes that this result is supported by considerations of practicality, wise judicial administration, and equity. The Court will stay case nos. 98cv4563 and 98cv4634 pending the resolution of the California action.<sup>2</sup>

An appropriate Order follows.

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<sup>2</sup>The Supreme Court has advised that "where the basis for declining to proceed is the pendency of a state proceeding, a stay will often be the preferable course, because it assures that the federal action can proceed without risk of a time bar if the state action, for any reason, fails to resolve the matter in controversy." Wilton v. Seven Falls Co., 515 U.S. at 288 n.2, 115 S. Ct. at 2143 n.2.